

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF FIRST LIBERTY BANK)
OF CALVERT CITY, KENTUCKY, AS REPRESENTATIVE FOR RED WING UTILITY COMPANY,)
INC., FOR AN ORDER AUTHORIZING ADJUSTMENT OF RATES, FOR THE SEWAGE TREATMENT)
FACILITIES LOCATED IN: 1. GOLDEN ACRES,)
MARSHALL COUNTY; 2. GATEWAY, MARSHALL) CASE NO. 8168
COUNTY; 3. HOLLIFIELD HEIGHTS, GRAVES)
COUNTY; 4. BLANDVILLE WEST ESTATES,)
McCRACKEN COUNTY; 5. GREEN ACRES,)
McCRACKEN COUNTY; 6. FIELDMONT)
ESTATES, McCRACKEN COUNTY)

O R D E R

On March 9, 1981, the First Liberty Bank of Calvert City, Kentucky ("Bank"), as representative for Red Wing Utility Company, Inc. ("Red Wing"), filed an application with this Commission requesting an increase in rates for sewage service effective April 1, 1981. As stated in the Commission's Order dated March 13, 1981, in this matter, the Utility Regulatory Commission, predecessor to the Public Service Commission, invoked the third party beneficiary agreement ensuring the continued operation of the sewage utility, thus requiring the Bank, as representative, to immediately begin to oversee the operation of Red Wing. That Order was based upon the terms of the third party beneficiary agreement and findings that Red Wing had not been prudently managed or operated; that the accounts of Red Wing and Veach Plumbing Company were commingled; and that the financial records which Red Wing had furnished the Utility Regulatory Commission were unreliable and incomplete.

Since then, substantial improvement in the operation of Red Wing has been made. Operating expenses have been reduced, action has been taken to collect delinquent accounts through the Small Claims Court and otherwise, the financial records of Red Wing generally have been separated from those of Veach Plumbing, and for a number of months Red Wing has been operating in the black apart from meeting payments on its various indebtednesses, especially on the share of its indebtedness to the Small Business Administration ("SBA"). The Commission cannot determine on the basis of the evidence before it precisely what portion of the outstanding indebtedness to the SBA is applicable to Red Wing and should be considered for rate-making purposes. Until this information is supplied to us, preferably by the SBA through an independent audit conducted under its direction or other reliable means, this Commission is not presently in a position to grant any part of the rate relief requested. It must therefore deny Red Wing's request subject to a reconsideration upon the making of a new application which should update information already in the files of the Commission and include the requested information from the SBA which should set out clearly and separately the financial picture of Red Wing.

On September 2, 1981, First Liberty Bank of Calvert City moved that it be relieved and discharged from any responsibility for the management and control of Red Wing. Based on the findings herein, the Commission is of the opinion that the continued management of Red Wing under the third party agreement is essential. Said motion is therefore denied.

IT IS THEREFORE ORDERED that the rates proposed by First Liberty Bank of Calvert City, Kentucky, as representative for Red Wing Utility Company, Inc., are hereby denied.

Done at Frankfort, Kentucky, this 30th day of September, 1981.

PUBLIC SERVICE COMMISSION

Marlin M. Voh

Chairman

Guthrie Randall

Vice Chairman

Jim Carrigan

Commissioner

ATTEST:

Secretary